

COVID IMPACT RETAIL & E-COMMERCE

pie
PIERIAN SERVICES

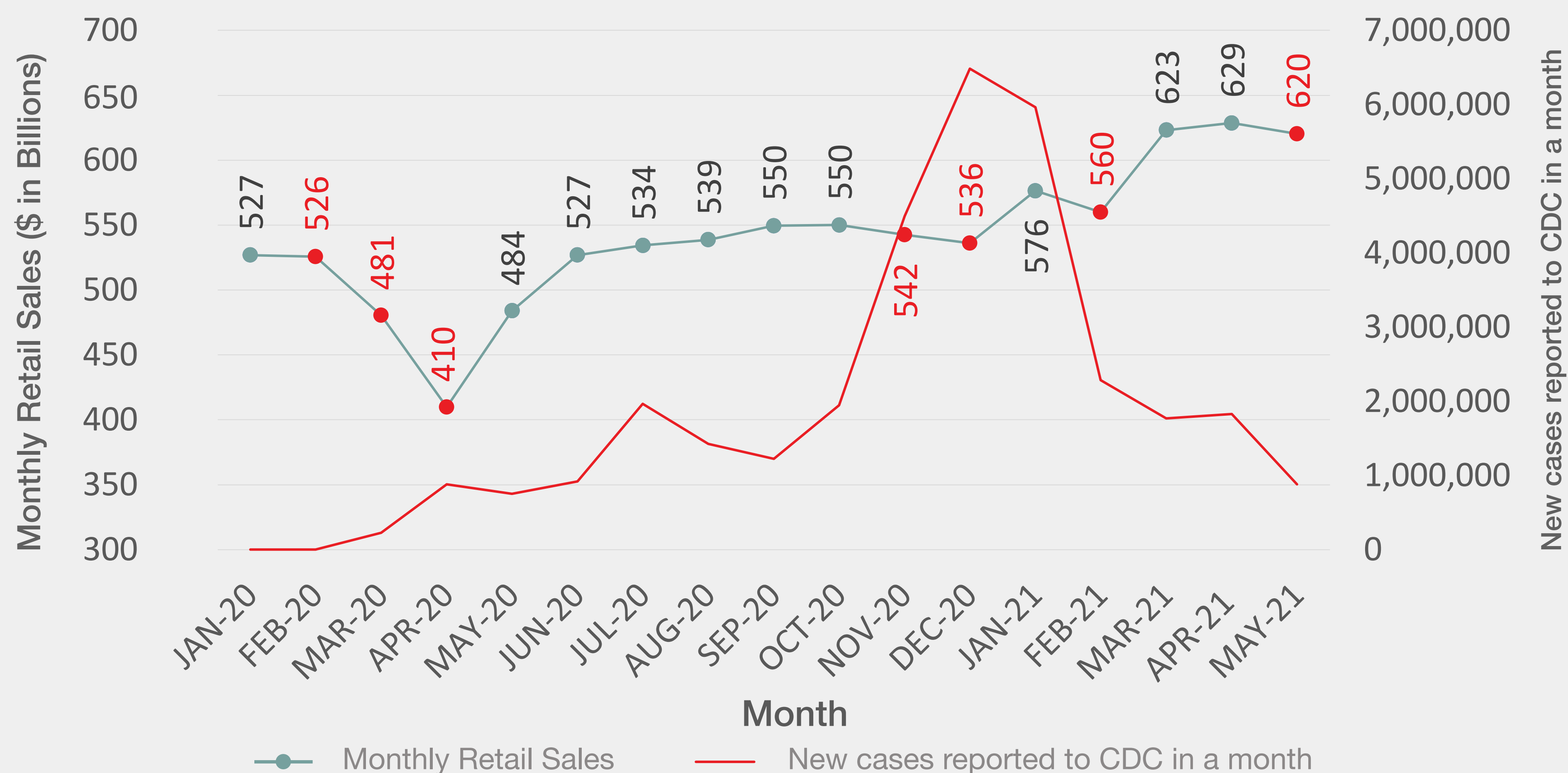
Simplify > Accelerate > Grow

COVID IMPACT - RETAIL & E-COMMERCE

The novel coronavirus has imposed a significant cost on the global economy and has brought many unforeseen challenges for businesses. While many industries are severely impacted by the Covid-19 recession, the retail industry is uniquely placed as it offers a wide range of products from daily necessities to premium luxury products. **In 2020 U.S. retail sales grew at 0.31% from \$6.19 trillion in 2019 to \$6.20 trillion as per estimates made by the U.S. Census Bureau.**

The Covid-19 driven mass anxiety elicited panic buying and hoarding of daily necessities as consumers lined up outside supermarkets & retail outlets. This sudden surge of demand created further uncertainties in the demand and supply chains in the retail industry. In the last week of March 2020, California, Connecticut, Illinois, Michigan and some other states went into their first lockdown. In the last week of March 2020, California, Michigan Connecticut, Illinois and some other states went into their first lockdown which impeded sales generation. **As a result, in April 2020 retail sales dropped to \$409.82 billion, a decline of nearly 22% from the pre-pandemic estimates of \$526.93 billion for Jan 2020.**

Exhibit 1 : Monthly Retail Sales & new cases reported to CDC in a month



Source: Advance Monthly Sales for Retail Trade and Food Services report - U.S. Census Bureau | CDC
 Note: Monthly Retail sales also include sales for food services.

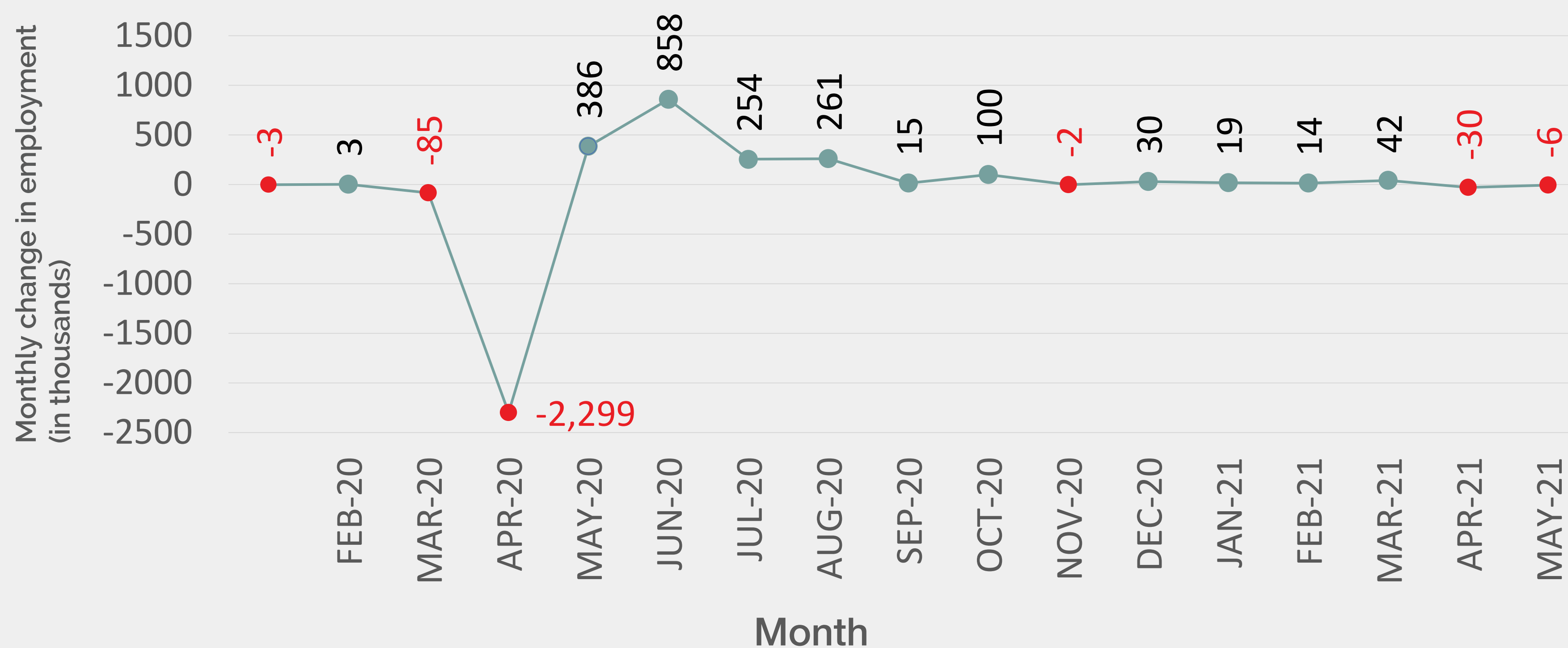
With the opening of lockdowns and easing of restrictions, retail sales started to show signs of recovery in May 2020 and reached \$526.86 billion in June 2020. During Jun-Oct 2020, retail sales continued to grow gradually but from October onwards as the Centers for Disease Control and Prevention (CDC) started to report a rise in new cases which was followed by the second lockdown in New York in December, retail sales were hit and fell for 2 consecutive months. The festive season brought some relief for the retail sector and sales in Jan 2021 grew at nearly 8% since Dec 2020.

After a monthly decline of around 3% in February 2020, the U.S. retail industry is on a path of bumpy recovery. The Census Bureau estimates that the U.S. retail and food services sales for May 2021 were \$602.21 billion, down by 1.35% from April 2021.



IMPACT ON RETAIL TRADE EMPLOYMENT

Exhibit 2 : Monthly change in employment in Retail trade



Source : U.S. Bureau of Labor Statistics

Employment in retail trade declined by 2.3 million (approx.) in April 2020

A report published by the U.S. Bureau of Labor Statistics estimated that the employment in retail trade declined by 2.3 million (approx.) in April 2020. With the resumption of economic activities and easing of restrictions, retail trade was able to create additional employment in the latter half of 2020, with Nov 2020 being an exception where the retail trade witnessed nearly 2,100 job losses. As per preliminary estimates for May 2021, employment in retail trade is down by nearly 6,000 since April 2021.

Covid-19 acted as a lethal blow to many retailers which were already failing to keep up with the latest trends and technology.

As per a report by S&P Global Market Intelligence, by mid-Nov 2020, the U.S. retail sector witnessed 49 retail bankruptcies being the highest since 2009.

CHANGE IN CUSTOMER PREFERENCES

Exhibit 3: Estimated Sales Growth, by kind of business in May 2021 as compared to May 2020

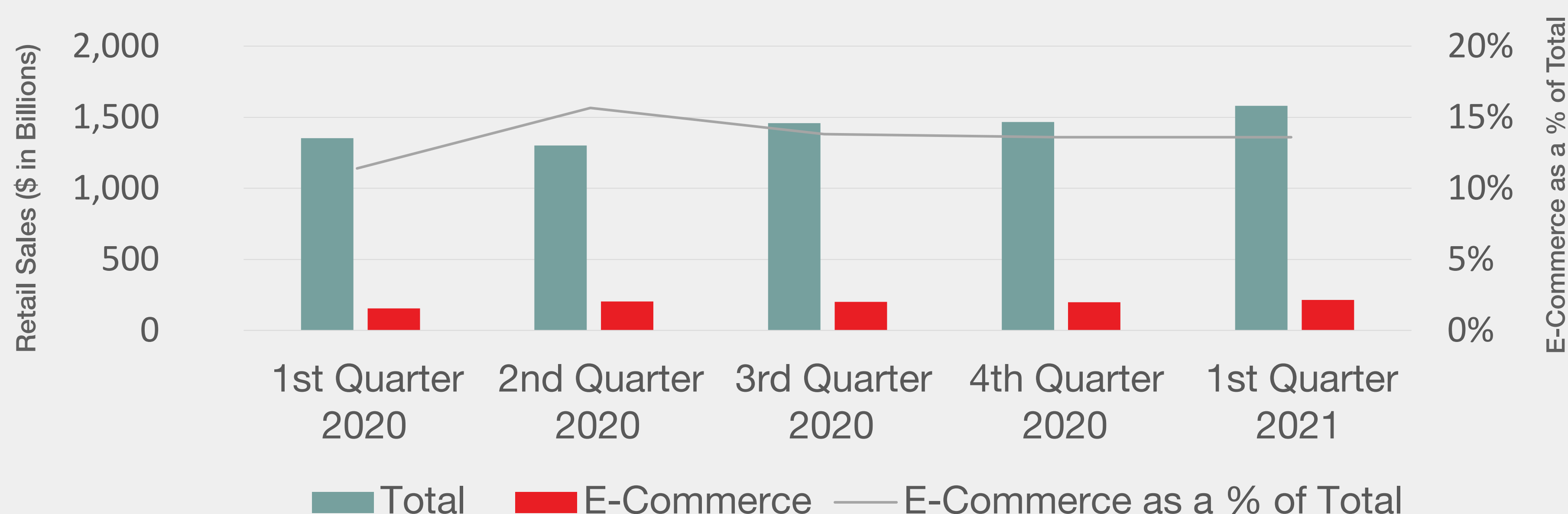


Change in customer behavior which could be everlasting

Covid-19 propelled digital adoption in business operations which would have otherwise taken years for some companies. The changing environment has shifted consumer preferences and their perception of a brand. Covid-19 has enforced consumers to abandon brick and mortar retail and adopt omnichannel retail. Consumers expect businesses to provide a safe shopping environment by ensuring adherence to social distancing norms and hygiene protocols. To regain the lost customers and to recreate demand from consumers who have adopted to curtail their spending remain key challenges for the retail industry.

RETAIL E-COMMERCE

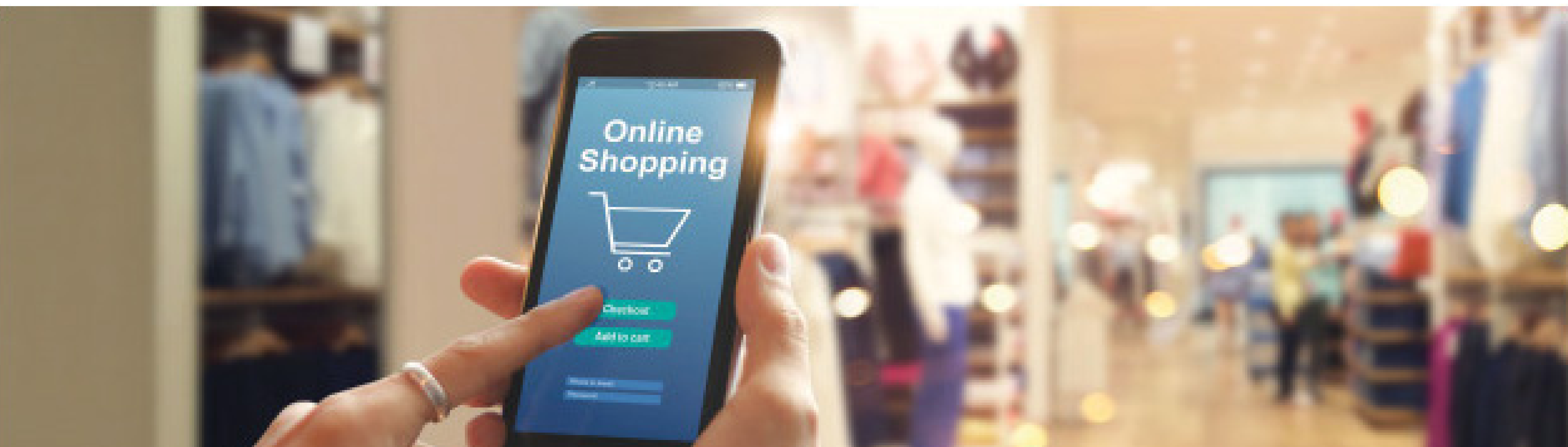
Exhibit 4 : E-Commerce Retail Sales and Total Retail Sales (\$ in billions)



Source: Quarterly Retail E-Commerce Sales Report released by U.S. Census Bureau on May18, 2021.

E-Commerce is the driving force that will reshape the retail industry.

The key to the recovery of the retail industry lies in E-Commerce. E-Commerce and digital adoption can provide businesses with solutions that can address the dynamic challenges posed by the pandemic. According to the U.S. Census Bureau, Retail E-Commerce sales in the first quarter of 2021 have increased to \$215.03 billion from \$154.575 billion in the first quarter of 2020. E-Commerce sales in the first quarter amount to nearly 14% of the total quarterly sales. Retailers need to adopt new distribution channels and develop mutually beneficial partnerships with digital platforms to redefine customer-retailer interaction.



INDIAN RETAIL SECTOR

Exhibit 5 : Brick and Mortar Retailing

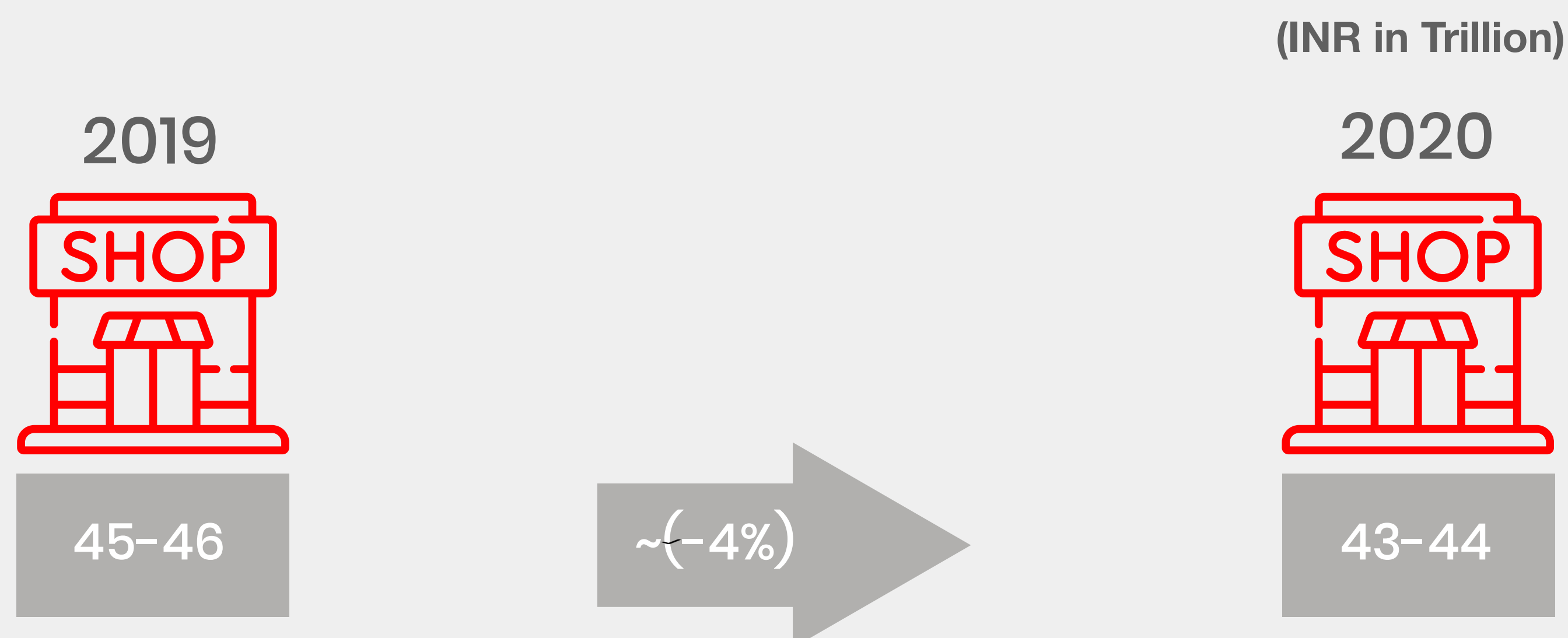
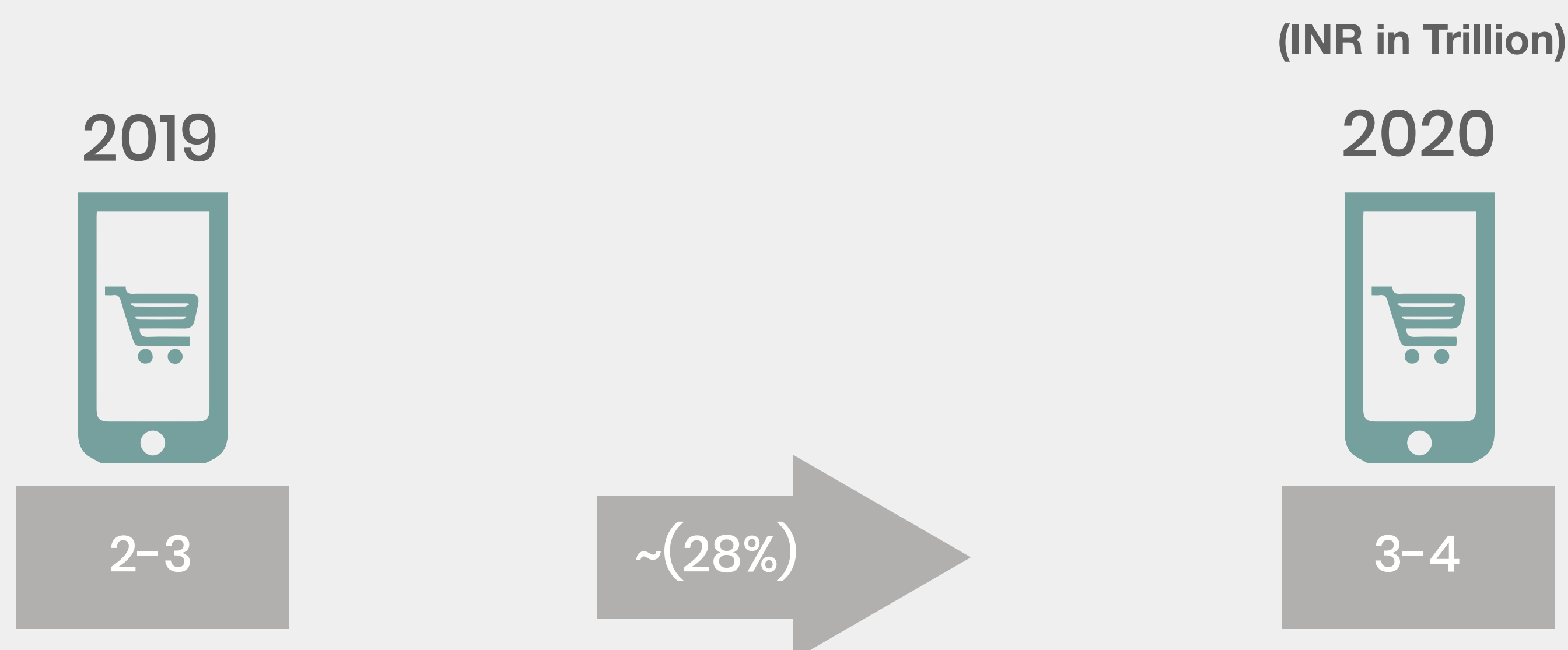


Exhibit 6 : E-Commerce



Source: RAI, BCG projections and estimates

Indian Retail Sector

The retail industry was able to attain 93% of the pre-Covid sales in Feb 2021 as per estimates made by the Retailers Association of India (RAI). But the recovery was soon hampered by the second wave of Covid-19 as the rise in the number of cases obligated many state governments to impose lockdowns. Confederation of All India Traders (CAIT) estimates that the aftermath of the second wave caused a business loss of Rs.15 lakh crore.

According to a report by IAMAI and Kantar Research, the number of internet users in India will reach up to 900 million by 2025. The internet penetration will bridge the gap between retailers and an untapped market. The E-Commerce market in India is projected to reach \$200 billion by 2026.

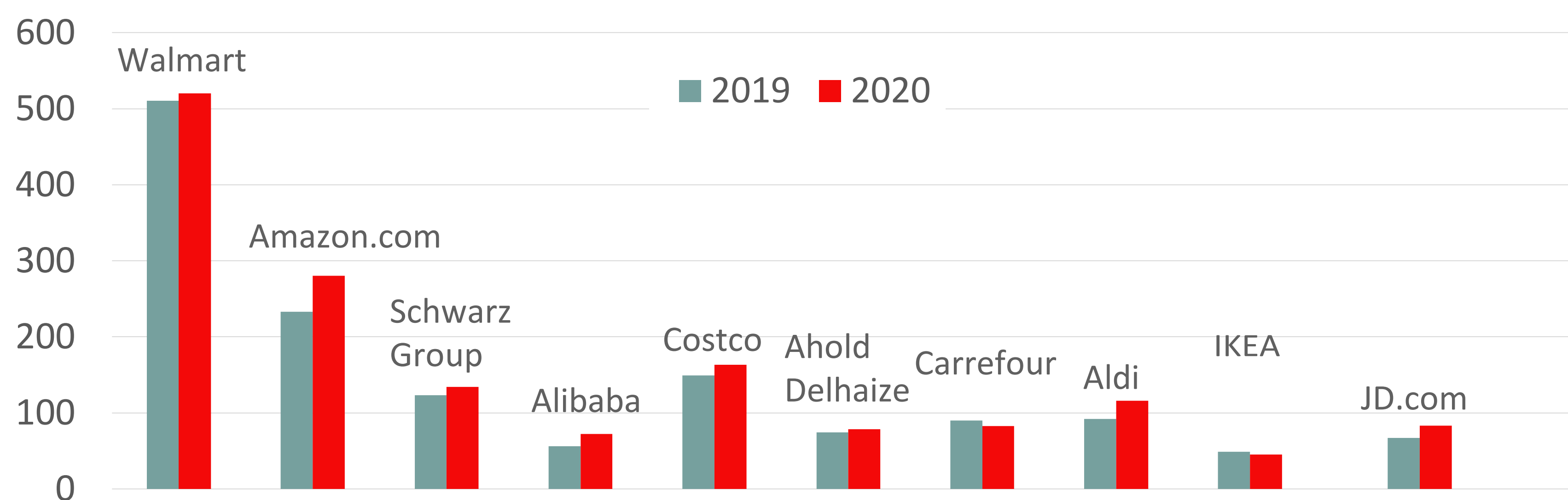
The adoption of digital sales channels will not only act as a counter-measure to the business disruptions but will also serve as a gateway to better opportunities.

THE WAY FORWARD

Adopting a Resilient Approach

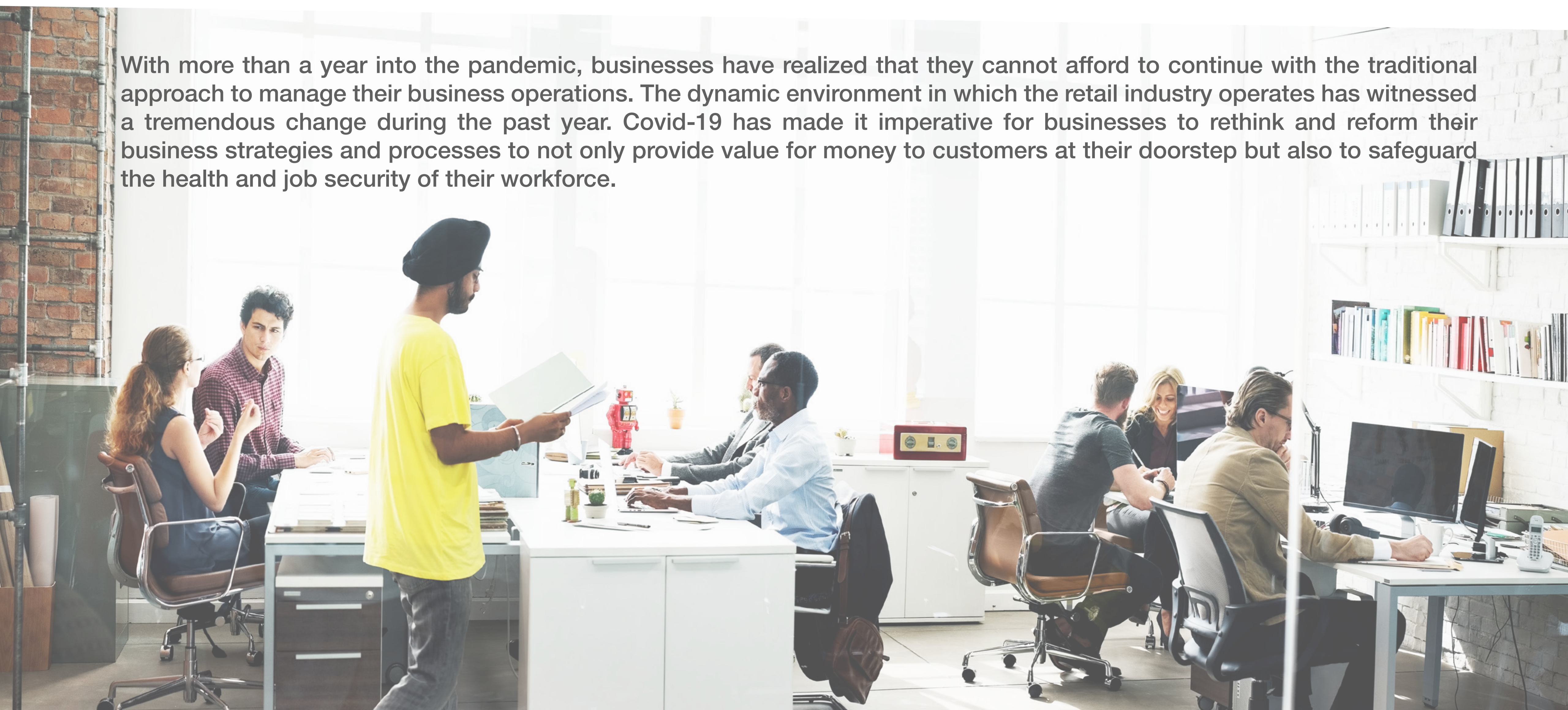
While many local retailers found it difficult to survive in 2020 due to the decline in footfalls and cash crunch caused by the lockdowns. On the contrary, some of the global giants were able to retain their market share and generated even higher revenues than in 2019. Strong digital presence and omnichannel approach to market helped them to align their product line and distribution channels with the changed consumer behavior.

Exhibit 7 : Worldwide Retail Sales (\$ Amount in Billions)



Source –National Retail Federation

With more than a year into the pandemic, businesses have realized that they cannot afford to continue with the traditional approach to manage their business operations. The dynamic environment in which the retail industry operates has witnessed a tremendous change during the past year. Covid-19 has made it imperative for businesses to rethink and reform their business strategies and processes to not only provide value for money to customers at their doorstep but also to safeguard the health and job security of their workforce.



ABOUT PIERIAN

PIERIAN Services was founded in 2002 as a new age Consulting and Managed Services Company established by a team of Professionals and Industry experts. In the last 18 years, it has the privilege of serving some of the Fortune 500 Companies and new startups in the wide areas of its expertise, spanning across industry verticals. We help our clients to work smarter and achieve accelerated growth through process transformation, digital technology enablement, analytics driven industry and business insights. Information about how Pierian collects and uses personal data can be provided by our executives. For additional information about our organization, please visit our website www.pierianservices.com

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice. The company expressly disclaims all liabilities in respect to actions taken or not taken based on any or all the contents of this document.

INDIA

Bangalore

979, 19th Main,
13th Cross,
B.S.K. 2nd Stage,
Bangalore – 560 070
Karnataka

62, High Street
11th Main, 6th floor,
Jayanagar, 4th Block,
Bangalore – 560 041,
Karnataka

Shivmonga

Kaudki Towers,
Savalanga Road,
Near Shivamurthy Circle,
Shivamoga – 577 201,
Karnataka

Gurugram

Level 18, Tower-A,
Building No.5 (Epitome),
DLF Cyber City,
DLF Phase 3
Gurugram – 122002,
Haryana

Pune

310, Tower A,
World Trade Center,
Kharadi,
Pune – 411014,
Maharashtra

USA

Washington Dc

1899 L ST NW
Washington,
DC 20036

MIDDLE EAST

Abu Dhabi

Suite 012, 1st Floor,
Al Omran Building,
Hamdan Street,
P.O. Box: 53954
Abu Dhabi – UAE

Sharjah

SAIF Desk R5-45/C
P.O. Box: 513821
Sharjah – UAE

SINGAPORE

Singapore

Level 21
Centennial Tower
3 Temasek Avenue
Singapore - 039190

Follow us on



CONTACT US

www.pierianservices.com
info@pierianservices.com